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Historic Trends in the Level of Georgia's State and Local Taxes

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Historic Trends in the Level of Georgia's State and Local Taxes

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Historic Trends in the Level of Georgia's State and Local Taxes

Executive Summary

This is a report on general trends in Georgia's state and local taxation over the period 1985 to 2007. In general:

- Georgia's per capita tax revenues, for both state and local government, are lower than the average for all states
- State tax revenues in Georgia represent a lower percentage of personal income than the average for all states. For most of the period, Georgia's local government taxes, as a percentage of personal income, have also been lower than average; but in recent years have been rising to the average.
- In Georgia, total own source revenues are more reliant on taxes than average. The state's reliance on taxes for general government has been decreasing from 84.1 percent in 1985 to 78.0 percent in 2008. Georgia local government reliance on taxes for general purposes has increased from 47.3 percent in 1985 to 59.1 percent in 2007.
- The state's total own source revenue (taxes plus other revenue sources, e.g. charges and fees) is a smaller percentage of personal income than the average in all states, but local governments' own source revenue as a portion of personal income is higher than average. Georgia's combined state and local own source revenue is a smaller percentage of personal income than the average for combined state and local revenues in all states.
- The state's reliance on individual income taxes has been increasing.
- Local governments generate a large portion of their revenue from charges and other non-tax sources. Property taxes have decreased as a portion of local taxes since 1985 while local option sales taxes have grown in importance.

Historic Trends in the Level of Georgia's State and Local Taxes

I. Introduction

This report presents information on historic trends of state and local taxes in Georgia over the period 1985 to 2008. We consider trends in total state and local taxes per capita, in state and local taxes as a portion of personal income, in taxes and other broad revenue sources as a portion of state and local “own source” (non-grant) general (non-enterprise) revenue. Comparisons are made to U.S. averages for all states.

The principal source of data for this analysis is a large historical computerized database compiled by the Census Bureau: *Database on Historical Finances of State and Local Governments: Fiscal Years 1957-2006* (July, 2008).¹ We rely on Census Bureau data rather than budget reports since the Census data are based on budget reports and are consistently reported, making comparisons over time and across states feasible. (For more information on the Census Bureau data, see the note on the data in the Appendix.) Where available, the data has been updated with additional tax revenue material from Bureau of Census estimates for 2007 and 2008² as well as additional population and income estimates for 2007 and 2008.³ The inflation index is from the Bureau of Labor Statistics.⁴

¹ <http://www2.census.gov/pub/outgoing/govs/special60>.

² www.census.gov/govs/www/state.html and www.census.gov/govs/www/ntax08.html.

³ <http://www.census.gov/popest/states/NST-ann-est.html> and
<http://www.census.gov/hhes/www/income/income.html>.

⁴ <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt>.

Historic Trends in the Level of Georgia's State and Local Taxes

II. State Taxes Per Capita

Figure 1 presents total taxes per capita, unadjusted for inflation, for Georgia state and local governments and for the total of all U.S. state and local governments. For the entire period, 1985-2008, Georgia's total per capita taxes, both state and local, are lower than the U.S. averages. Georgia local government taxes per capita are consistently lower than Georgia state taxes per capita.

In 1985, Georgia's total state taxes per capita were \$758, 20.1 percent less than the U.S. average of \$910. By 2008, the U.S. average total state tax per capita had increased by 179.3 percent to \$2,542; Georgia's had increased, less than the average, by 144.1 percent to \$1,850. The gap between the average of all states and Georgia increased from 20.1 percent to 37.4 percent; from \$152 per capita in 1985 to \$692 in 2008 (Table 1). Note the \$51 decrease in Georgia's per capita taxes from 2007 to 2008 while the average was a \$21 increase (Figure 1)

Georgia's local governments, in 1985, averaged total tax revenue of \$425 per capita, 32.9 per cent less than the average for all local governments in the U.S. By 2007⁵, the average local per capita tax in Georgia had increased more rapidly than the U.S. average, 266.6 per cent compared to 204.8 percent, but was still 10.5 percent, or \$164 per capital less.

⁵ 2008 data is not yet available for local governments.

Historic Trends in the Level of Georgia's State and Local Taxes

FIGURE 1. TOTAL STATE AND LOCAL TAX REVENUES PER CAPITA

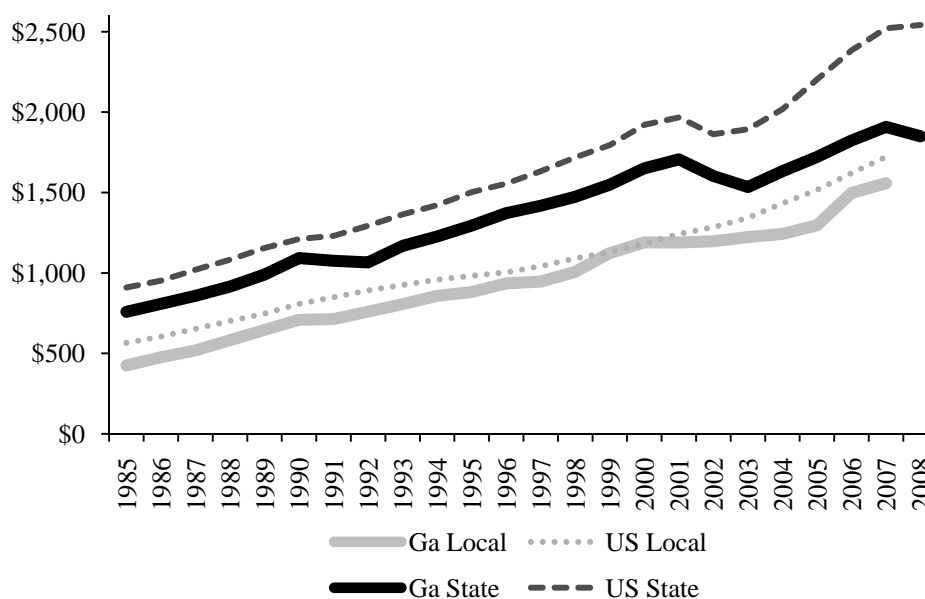


TABLE 1. STATE AND LOCAL TAX REVENUE PER CAPITA

	-----1985-----			-----2008-----			
	Total Tax Per Capita	Percent Gap	Dollar Gap	Total Tax Per Capita	Percent Change from 1985	Percent Gap	Dollar Gap
GA State	\$758			\$1,850	144.06%		
US State	\$910	20.05%	\$152	\$2,542	179.34%	37.40%	\$692
	-----1985-----			-----2007*-----			
	Total Tax Per Capita	Percent Gap	Dollar Gap	Total Tax Per Capita	Percent Change from 1985	Percent Gap	Dollar Gap
GA Local	\$425			\$1,558	266.59%		
US Local	\$565	32.94%	\$140	\$1,722	204.78%	10.53%	\$164

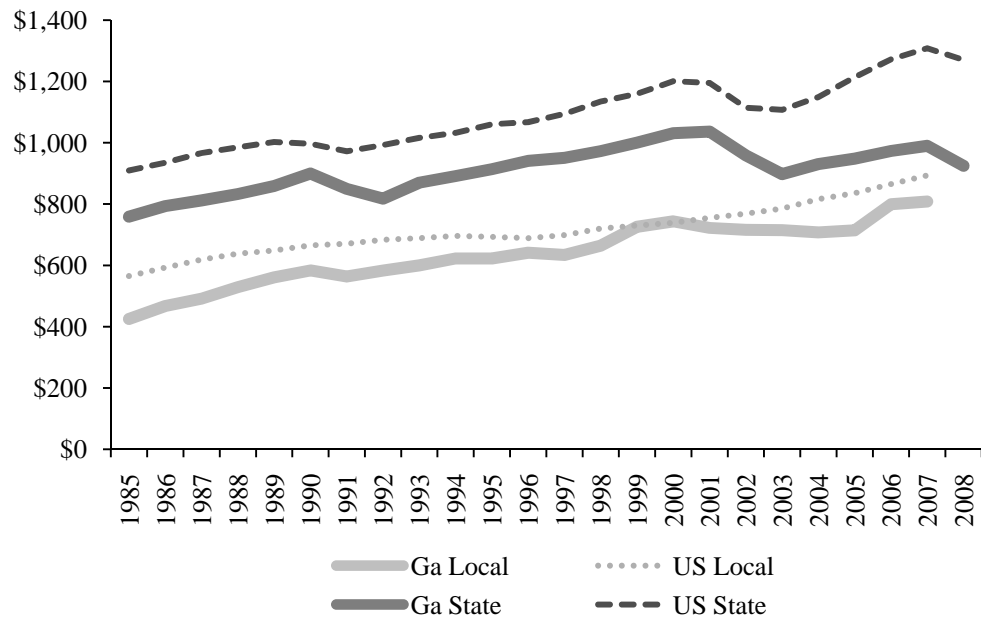
* 2008 data not yet available for local governments.

Historic Trends in the Level of Georgia's State and Local Taxes

III. Inflation Adjusted State Taxes Per Capita

Figure 2 presents the same data in Figure 1 adjusted for inflation. All figures are in 1985 dollars. Adjusted for inflation, Georgia's total state tax per capita increased 22.0 percent between 1985 and 2008, from \$758 to \$925. In all states the real per capita total state tax increased 39.5 percent, from \$910 to \$1,207 (Table 2). Georgia local government tax per capita increased 90.1 percent while that for all localities in the U.S. increased 58.1 percent; the U.S. average local tax per capita is still an inflation adjusted \$85 more than Georgia's. Since the inflation adjustment is the same for all states, the percentage gap reported in Table 2 is the same as in Table 1: 10.5 percent. In 2008, the average state had adjusted total taxes that were \$346 per person, or 37 percent, greater than Georgia.

FIGURE 2. STATE AND LOCAL TAX REVENUES PER CAPITA (1985 CONSTANT \$)



Historic Trends in the Level of Georgia's State and Local Taxes

TABLE 2. INFLATION ADJUSTED STATE TAXES PER CAPITA

	-----1985-----			-----2008-----			
	Total Tax Per Capita	Percent Gap	Dollar Gap	Total Tax Per Capita	Percent Change from 1985	Percent Gap	Dollar Gap
GA State	\$758			\$925	22.03%		
US State	\$910	20.05%	\$152	\$1,270	39.56%	37.40%	\$345
	-----1985-----			-----2007*-----			
	Total Tax Per Capita	Percent Gap	Dollar Gap	Total Tax Per Capita	Percent Change from 1985	Percent Gap	Dollar Gap
GA Local	\$425			\$808	90.12%		
US Local	\$565	32.94%	\$140	\$893	58.05%	10.52%	\$85

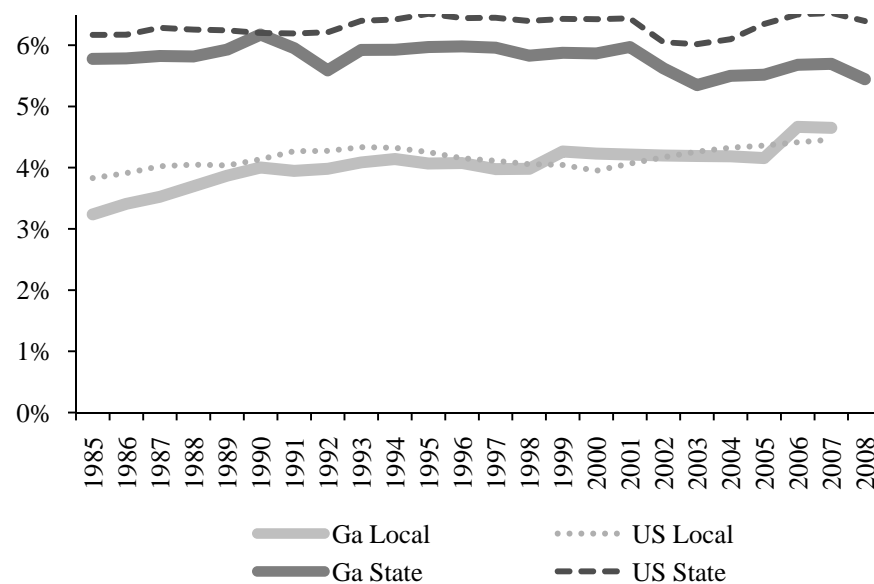
* 2008 data not yet available for local governments.

Historic Trends in the Level of Georgia's State and Local Taxes

IV. Taxes as a Percentage of Personal Income

Figures 3 and 3A display the trend of total state and local taxes as a percentage of personal income. Figure 3 shows separate trends for local and state governments while Figure 3A shows trends for combined state and local taxes in Georgia and the U.S. Figure 3 shows that the trend for Georgia and all states has been relatively flat over 23 years; Georgia's state taxes have ranged from a high of 6.2 percent of personal income in 1990 to a low of 5.4 percent in 2003. The portion of personal income taxed by Georgia has consistently been less than the average taxed by all states. In 1985, the average for all states for total state taxes was 6.2 percent of total income while for Georgia it was 0.4 percentage points, or 6.3 percent, less at 5.8 percent of personal income. By 2008, the total for all states had increased by 0.2 percentage points to 6.4 percent of personal income, while Georgia's state taxes had actually decreased by 0.3 percentage points to 5.4 percent of personal income (Table 3 and 3A). Note that Georgia saw a large decrease of 0.4 percentage points from 2007 to 2008; the percent for all states also dropped, although less, by 0.1 percentage points.

FIGURE 3. STATE AND LOCAL TAX REVENUES AS A PERCENTAGE OF PERSONAL INCOME



Historic Trends in the Level of Georgia's State and Local Taxes

**FIGURE 3A. COMBINED STATE AND LOCAL TAXES AS A PERCENTAGE OF
PERSONAL INCOME**

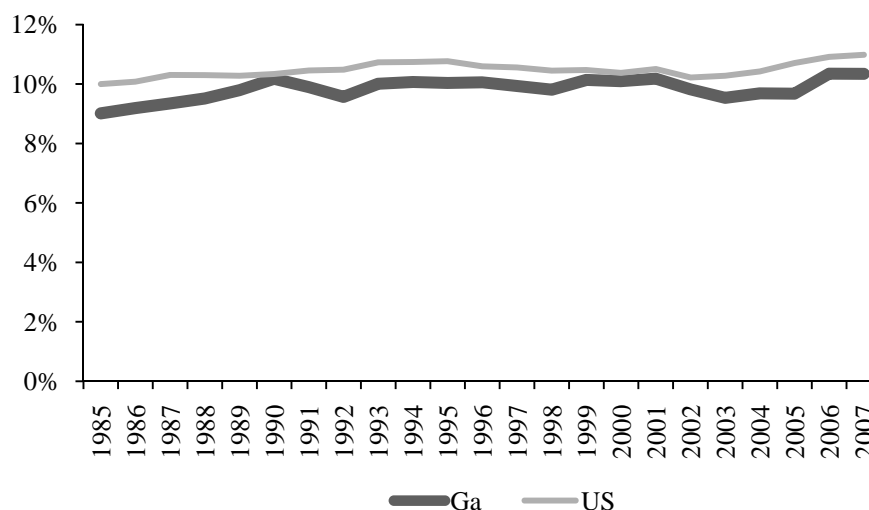


TABLE 3 AND 3A. STATE AND LOCAL TAXES AS A PERCENTAGE OF PERSONAL INCOME

	-----1985-----		-----2008-----		
	Total Tax Per Capita	Percent Gap	Total Tax Per Capita	Percentage Point Change Difference from 1985	Percent Gap
GA State	5.78%		5.44%	-0.34%	
US State	6.17%	0.39%	6.39%	0.02%	0.95%
	-----1985-----		-----2007*-----		
	Total Tax Per Capita	Percent Gap	Total Tax Per Capita	Percentage Point Change Difference from 1985	Percent Gap
GA Local	3.24%		4.65%	1.41%	0.19%
US Local	3.82%	0.58%	4.46%	0.64%	
GA St & Loc	9.01%		10.35%	1.34%	
US St & Loc	10.00%	0.99%	10.99%	0.99%	0.64%

* 2008 data not yet available for local governments.

The percentage of personal income taxed by all states and by Georgia dropped sharply during the 2000-2001 recession; but after 2002 the average percentage of personal income taxed by all states increased more rapidly than in Georgia. In 2002, the gap between the all state average and Georgia was 0.4 percentage points, while by 2008 it was 0.9 percentage points. During the period

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2000-2008, personal income in all states increased 32.9 percent while in Georgia it grew only 20.7 percent. At the same time, Georgia's inflation adjusted personal income per capita increased by 32.4 percent: personal income grew faster than total state taxes, presumably leaving Georgians with more real disposable income after state taxes. In all states, the average inflation-adjusted personal income increased 35 percent; as with Georgia, real income grew faster than real taxes.

Local governments consistently tax a smaller percentage of personal income than do state governments. In 1985, Georgia's local governments taxed on average 3.2 percent of personal income while the average for local governments in all states was 3.8 percent. For most of the period 1985 to 2007 the portion of personal income taxed by Georgia's local governments was less than that taxed by local governments in all states, but by 2007 the percentage of personal income taxed by Georgia's local governments exceeded that taxed by local governments in all states. This reflects Georgia's personal income not rising as fast as that in other states, as much as it reflects taxes growing faster.

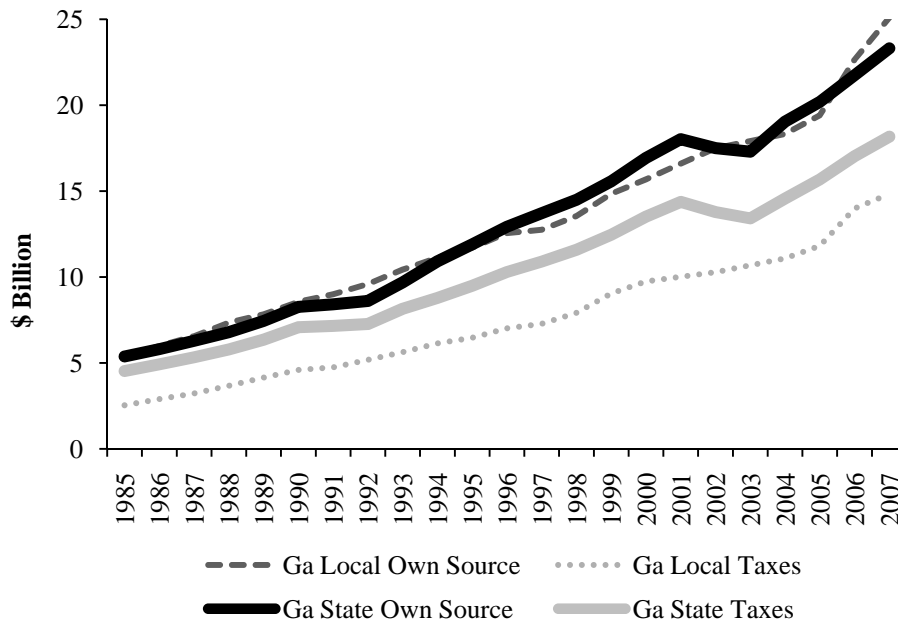
Figure 3A shows that Georgia's combined state and local taxes, as a percentage of personal income, are consistently lower than combined state and local taxes in all states through the period 1985 to 2007. In 1985, Georgia's combined state and local tax revenue was 9.0 percent of personal income while combined state and local government tax revenue in all states had a greater share of income at 10.0 percent. By 2007, combined state and local governments in Georgia were still lower than average at 10.4 percent compared to 11.0 percent for all states.

Historic Trends in the Level of Georgia's State and Local Taxes

V. Own Source Revenue

Figure 4 shows the trend in Georgia's state and local own source general revenue. (Own source revenue excludes grant revenue, income from enterprise operations, and trust funds). In general, this revenue is heavily dependent on taxes, with charges, fees, and miscellaneous revenue making up a relatively small part. In 1985, taxes made up 84.1 percent of the state's own source general revenue; this portion had steadily declined to 77.7 percent by 2007. Thus, charges, fees, and miscellaneous revenue are becoming more important in the state's revenue mix and taxes are less important (Table 4). On the other hand, taxes are becoming more important in Georgia's local government revenue mix, increasing from 47.1 percent of own source general revenue in 1985 to 59.1 percent in 2007.

FIGURE 4. GEORGIA TOTAL GENERAL OWN SOURCE REVENUE AND TOTAL TAX REVENUE



Historic Trends in the Level of Georgia's State and Local Taxes

TABLE 4. GEORGIA TOTAL GENERAL OWN SOURCE REVENUE AND TOTAL TAX REVENUE

	-----1985-----		-----2007-----		
	Total	Percent of OSR	Total	Percentage Change	Percent of OSR
State Taxes	\$4,525,038	84.15%	\$18,170,913	301.56%	77.96%
State Own Source Rev	\$5,377,345	100.00%	\$ 23,308,261	333.45%	100.00%
Local Taxes	\$2,535,532	47.29%	\$14,836,315	485.14%	59.12%
Local Own Source Rev	\$5,361,436	100.00%	\$25,096,340	368.09%	100.00%

Historic Trends in the Level of Georgia's State and Local Taxes

VI. Taxes as a Portion of Own Source Revenue

Figure 5 shows Georgia state and local taxes as a portion of own source general revenues as compared to all other states. Throughout the period 1985 to 2007 Georgia's state government has used taxes to a greater extent than the average of all other states to support its general fund. From 1985 to 2007 Georgia reduced its reliance on taxes by 6.2 percentage points while the average of all states also fell, but by a smaller 3.8 percentage points (Table 5). The gap between the other states and Georgia narrowed in the early 1990s, but appears to be increasing, with Georgia's relative use of taxes increasing since 2004.

FIGURE 5. TOTAL TAXES AS A PERCENTAGE OF TOTAL OWN SOURCE GENERAL REVENUE

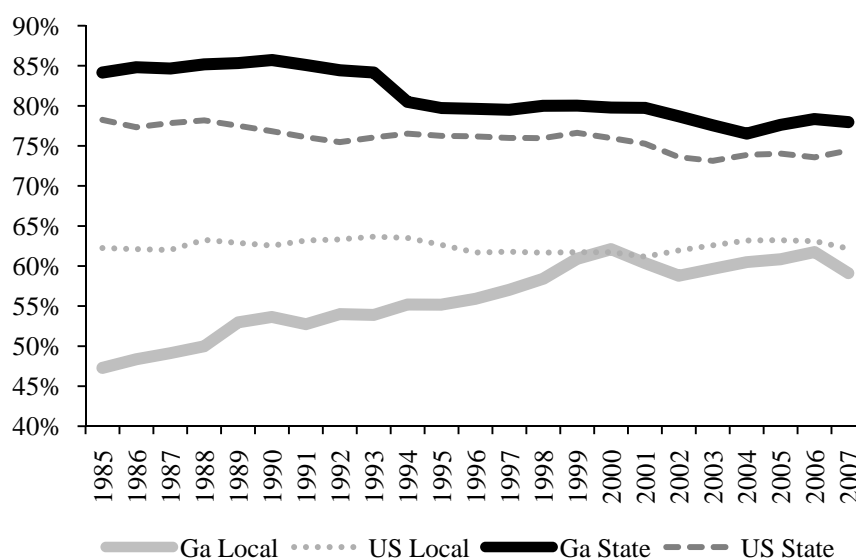


TABLE 5. TOTAL TAXES AS A PERCENTAGE OF TOTAL OWN SOURCE GENERAL REVENUE

	-----1985-----		-----2007-----		
	Tot Tax as a % of Own Source	Percent Gap	Tot Tax as a % of Own Source	Percentage Point Difference from 1985	Percent Gap
GA State	84.15%	5.91%	77.96%	-6.19%	3.54%
US State	78.24%		74.42%	-3.82%	
GA Local	47.29%	-14.96%	59.12%	11.83%	-3.07%
US Local	62.25%		62.19%	-0.06%	

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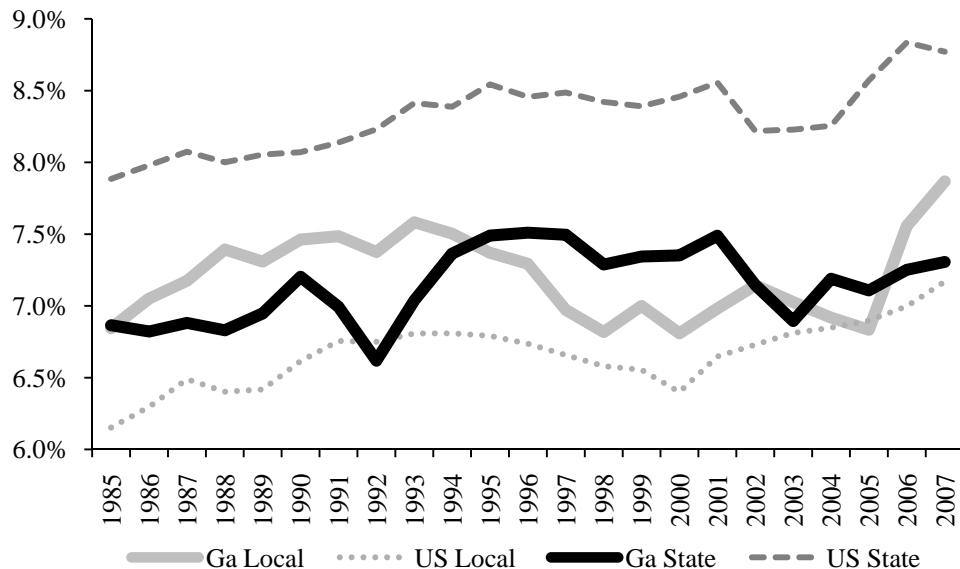
In 1985, Georgia's local governments were far less reliant on taxes to support their general funds than local governments in all states; on average Georgia local governments were 14.9 percent less dependent on taxes than local governments in all states. But by 2007, Georgia local governments were almost as dependent on taxes as average local governments; Georgia local governments were only about 3.1 percent less dependent on taxes for own source revenue compared to local governments in all states.

Historic Trends in the Level of Georgia's State and Local Taxes

VII. Own Source Revenue as a Percentage of Personal Income

Figures 6 and 6A show state and local own source general revenue for Georgia and all other states as a percentage of personal income. Figure 6 shows state and local trends separately; state and local trends are combined in Figure 6A. Throughout the period 1985 to 2007, Georgia's state revenue as a percentage of personal income is consistently lower than the average of all the states. In 1985, Georgia's own source revenue equaled 6.9 percent of the state's personal income, while for all other states own source revenue equaled 7.9 percent of total personal income. The gap between Georgia and all other states was 1.0 percentage points (Table 6 and 6A). From 1985 to 2007 the percentage of own source general revenue in all states compared to personal income grew 0.9 percentage points to 8.8 percent, while Georgia's increased by 0.4 percentage points to 7.3 percent. Own source general revenue as a percentage of personal income for all states in 2007 was 1.5 percentage points greater than for Georgia.

FIGURE 6. TOTAL OWN SOURCE REVENUE AS A PERCENTAGE OF PERSONAL INCOME



Historic Trends in the Level of Georgia's State and Local Taxes

FIGURE 6A. TOTAL COMBINED STATE AND LOCAL OWN SOURCE REVENUE AS A PERCENTAGE OF PERSONAL INCOME

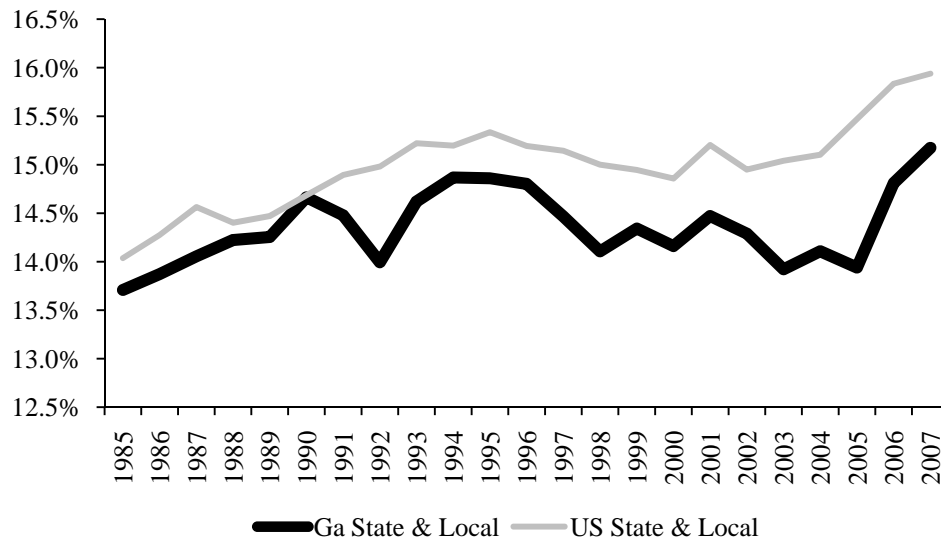


TABLE 6 AND 6A. TOTAL OWN SOURCE REVENUE AS A PERCENTAGE OF PERSONAL INCOME

	-----1985-----		-----2007-----		
	% Own Source Personal Inc	% Point Gap	% Own Source Personal Inc	Percentage Point Difference from 1985	% Point Gap
GA State	6.86%		7.31%	0.45%	
US State	7.88%	1.02%	8.77%	0.89%	1.46%
GA Local	6.84%		7.87%	1.03%	0.70%
US Local	6.15%	-0.69%	7.17%	1.02%	
GA St & Loc	13.70%		15.18%	1.48%	
US St & Loc	14.03%	0.33%	15.94%	1.91%	0.76%

Georgia's local government own source revenue as a percentage of personal income was higher than the average for all states throughout the period 1985 to 2007. In 1985, Georgia's local governments' own source revenue equaled 6.8 percent of the state's personal income while for local governments in all states own source revenue equaled 6.2 percent of personal income. By 2007, Georgia's local government revenue represented 7.9 percent of personal income, but in all states the figure was 7.2 percent.

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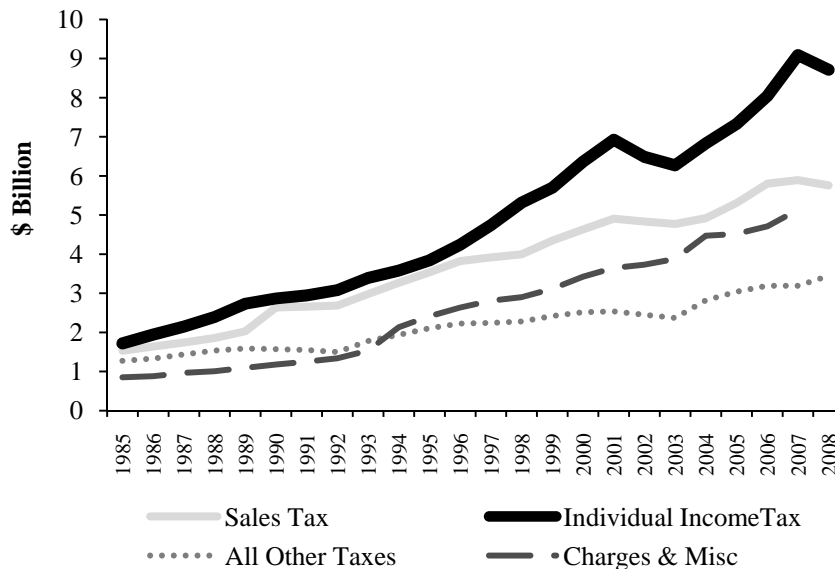
Georgia's combined state and local revenue as a percent of the state's personal income is consistently lower than the average for all states for the period 1985 to 2007 in spite of Georgia's higher than average local revenue as a percentage of personal income. In 1985 combined state and local own source revenue in Georgia represented 13.7 percent of personal income compared to 14.0 percent in all states; in 2007 Georgia's was 15.2 percent compared to 15.9 percent in all states.

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VIII. Sales Tax, Income Tax, All Other Taxes, and Charges

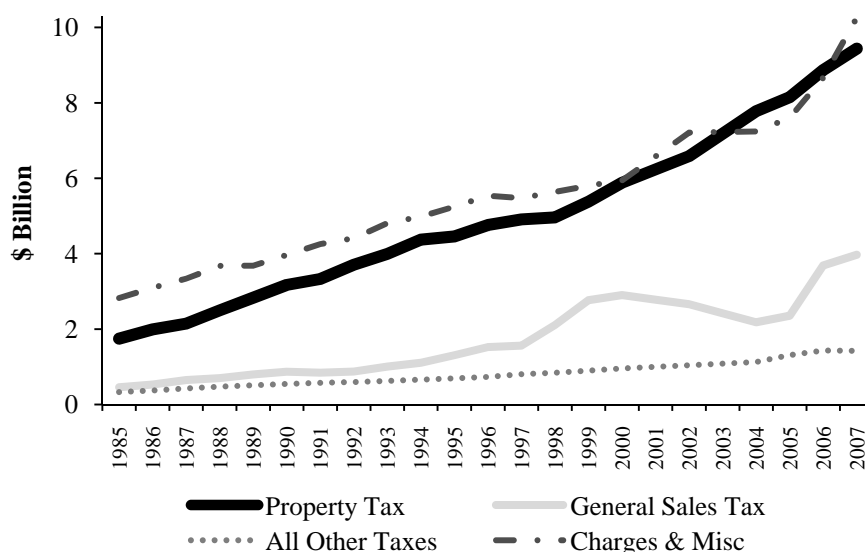
Figures 7 and 7A show the historic trends in the relationship between major sources of general revenue for Georgia's state and local governments. The major categories for Georgia state government are sales taxes, the individual income tax, all other taxes (including the corporate income tax, insurance premium taxes, fuel taxes, etc.), and non-tax charges and miscellaneous revenues; local governments in Georgia do not have income taxes, but rely heavily on property taxes.

FIGURE 7. GEORGIA STATE: SALES, PERSONAL INCOME, OTHER TAXES, CHARGES AND MISCELLANEOUS REVENUE



Historic Trends in the Level of Georgia's State and Local Taxes

FIGURE 7A. GEORGIA LOCAL SALES, PROPERTY, OTHER TAXES, CHARGES AND MISCELLANEOUS REVENUE



For state revenues, the individual income tax has grown in importance, increasing from 38.0 percent of the state's general tax revenues in 1985 to 48.6 percent in 2008 (Table 7 and 7A). The sales tax has maintained a relatively stable portion of all state tax revenue: 33.9 percent in 1985 and 32.1 percent in 2008. "Other taxes" have declined in relative importance, dropping from 28.15 percent of all taxes in 1985 to 19.2 percent in 2008 due largely to relative declines in corporate income tax and motor fuel tax revenues (see Figure 9). In 2008, taxes made up 77.9 percent of all general revenue for the state; various charge and miscellaneous revenue accounted for the other 22.3 percent; a large relative increase compared to 1985 when charges and miscellaneous revenues were only 15.8 percent of the state's general revenue. The major changes to these revenue sources consisted of an increase in the state sales tax rate to 4 percent in 1989 and the exemption of food for home consumption that was fully implemented in October 1998.

Surprisingly, charges and miscellaneous revenue make up the largest share of local own source general revenue: 52.7 percent in 1985 and 40.9 percent in 2007. This source does not include enterprise type water and sewer revenue, but does include sources such as school lunches, hospital fees, solid waste collection and disposal fees, interest earnings, and the like. Property taxes made up 68.9 percent of

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local taxes in 1985 and, with a small decrease in share, 63.6 percent of local taxes in 2007. Local sales taxes, with increasing use of SPLOST and ESPLOST for infrastructure development, has increased from 18.1 percent of total local taxes in 1985 to 26.8 percent in 2007.

TABLE 7 AND 7A. SALES, INCOME, PROPERTY, OTHER TAXES, CHARGES AND MISCELLANEOUS REVENUE

	-----1985-----			-----2008-----		
	Total	Percent of All Taxes	Percent of Total	Total	Percent of All Taxes	Percent of Total
State Sales Tax	\$1,532,811	33.87%	28.50%	\$5,756,865	32.13%	24.97%
State Individual Income Tax	\$1,718,326	37.97%	31.95%	\$8,713,849	48.63%	37.80%
State All Other Taxes	\$1,273,901	28.15%	23.69%	\$3,446,237	19.23%	14.95%
State Charges and Misc Rev	\$852,307	NA	15.85%	\$5,137,348	NA	22.28%
	-----1985-----			-----2007*-----		
	Total	Percent of All Taxes	Percent of Total	Total	Percent of All Taxes	Percent of Total
Local Sales Tax	\$458,775	18.09%	8.56%	\$3,970,532	26.76%	15.82%
Local Property Tax	\$1,747,275	68.90%	32.59%	\$9,440,698	63.63%	37.62%
Local All Other Taxes	\$329,982	13.01%	6.15%	\$1,425,085	9.61%	5.68%
Local Charges and Misc Rev	\$2,825,904	NA	52.70%	\$10,260,025	NA	40.88%

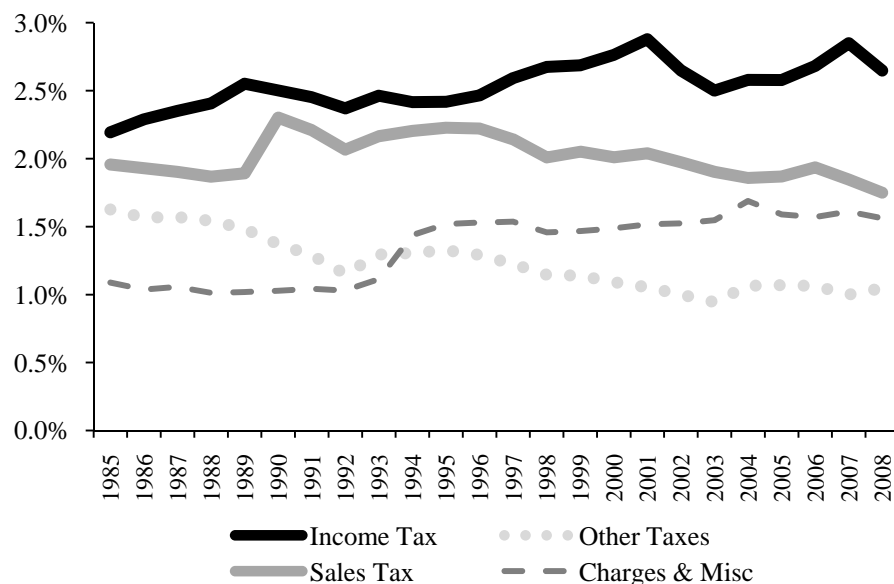
* 2008 data not yet available for local governments.

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IX. Sources of Own Source Revenue as a Percentage of Personal Income

Figures 8 and 8A show the mixture of taxes, charges, and miscellaneous revenue that make up Georgia's state and local own source general revenue as percentages of personal income. In general, as a percentage of personal income, these sources of revenue have been stable over the period 1985 to 2008, with the ratio increasing by only 0.1 percentage points for state revenue sources and 1.0 percentage points for local revenue sources (Table 8 and 8A). Reflecting the information presented in Figures 7 and 7A, at the state level the individual income tax has grown somewhat as a percentage of personal income and the sales tax has declined a small bit, but has generally held even. Other taxes have declined as a percentage of personal income. Charges and miscellaneous revenues comprise a very small percentage of personal income. At the local level, property taxes have increased from 2.2 percent of personal income to 2.9 percent; sales taxes, reflecting the growing use of SPLOST and ESPLOST, have grown from 0.6 percent of personal income to 1.2 percent of personal income.

FIGURE 8. GEORGIA STATE TAXES, CHARGES AND MISCELLANEOUS REVENUE AS A PERCENTAGE OF PERSONAL INCOME



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FIGURE 8A. GEORGIA LOCAL TAXES, CHARGES AND MISCELLANEOUS REVENUE AS A PERCENTAGE OF PERSONAL INCOME

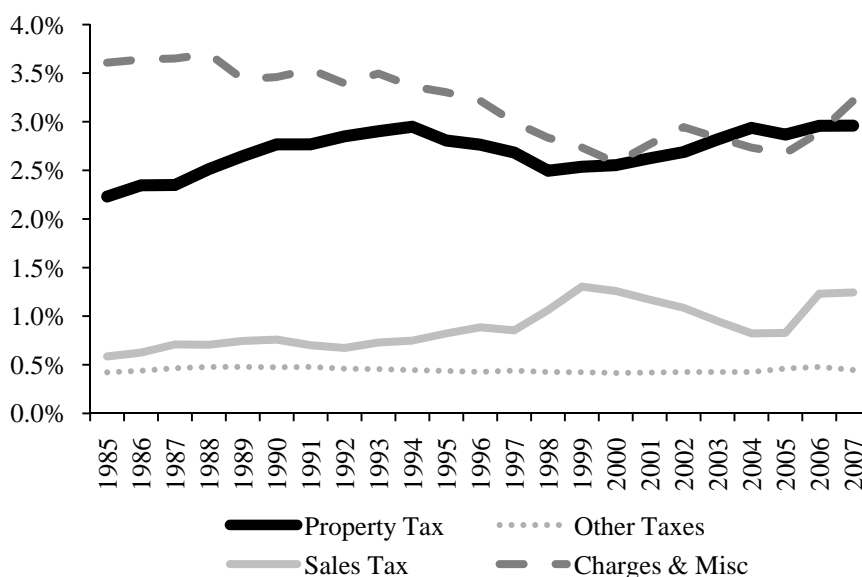


TABLE 8 AND 8A. SOURCES OF OWN SOURCE AS A PERCENTAGE OF PERSONAL INCOME

	-----1985-----	-----2008-----	
	Percent of Personal Income	Percent of Personal Income	Percentage Point Difference from 1985
State Sales Tax	1.96%	1.75%	-0.21%
State Individual Income Tax	2.19%	2.65%	0.46%
State Other Taxes	1.63%	1.04%	-0.59%
State Charges & Misc	1.09%	1.56%	0.47%
Total	6.87%	7.00%	0.13%
	-----1985-----	-----2007*-----	
	Percent of Personal Income	Percent of Personal Income	Percentage Point Difference from 1985
Local Sales Tax	0.59%	1.24%	0.65%
Local Property Tax	2.23%	2.91%	0.68%
Local Other Taxes	0.42%	0.45%	0.03%
Local Charges & Misc	3.61%	3.22%	-0.39%
Total	6.85%	7.82%	0.97%

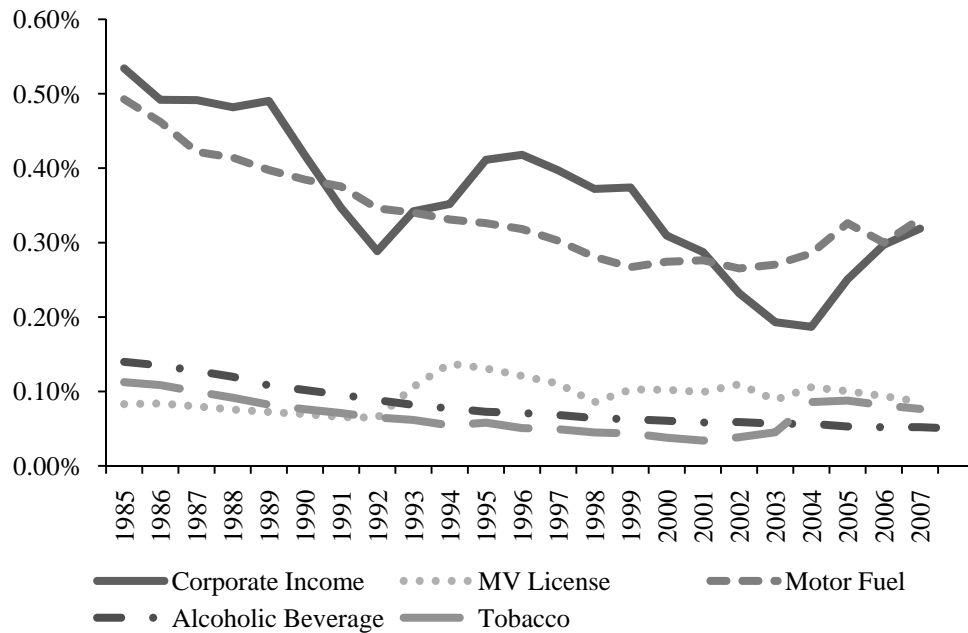
* 2008 data not yet available for local governments

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X. Other Taxes as a Percentage of Personal Income

Figure 9 presents the trends for each of the relatively small “other” taxes in relation to personal income. This section considers only state revenues as the use of these taxes by local government in Georgia are trivial. The “other” state taxes are corporate income tax, the motor vehicle license tax, the motor fuel tax, the alcoholic beverage tax, and the tobacco tax. Relative to personal income, these taxes all declined in the period 1985 to 2007, with the exception of the motor vehicle license tax which has, in essence, held steady (Table 9). Motor fuel tax revenue has increased in the latter part of this decade as fuel prices increased. The cyclic nature of the corporate income tax is evident in Figure 9.

FIGURE 9. MISCELLANEOUS TAXES AS A PERCENTAGE OF PERSONAL INCOME



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TABLE 9. OTHER TAXES AS A PERCENTAGE OF PERSONAL INCOME

	-----1985-----	-----2008-----	
	Percent of Personal Income	Percent of Personal Income	Percentage Point Difference from 1985
Corporate Income Tax	0.53%	0.32%	-0.21%
MV License Tax	0.08%	0.09%	0.01%
Motor Fuel Tax	0.49%	0.33%	-0.16%
Alcoholic Beverage Tax	0.14%	0.05%	-0.09%
Tobacco Tax	0.11%	0.08%	-0.03%
Total	1.35%	0.87%	-0.48%

Note that the total in Table 9 does not equal the entry for “other taxes” in Table 8, as Table 9 and Figure 9 do not include all of the other taxes.

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Appendix: Note on Census Governmental Financial Data

The U.S. Bureau of the Census produces an annual report of revenues and expenditures by state. Separate data are provided for the total of local governments and for state government. Local governments include county, municipal, school districts, and special districts. Data for authorities connected to one of these governments are included. The Census relies on financial data provided by these governments. The Census Bureau reviews the data and follows up on items that seem incorrect, for example, a major change from one year to the next.

For any government, the Census Bureau includes all revenues received by the government or any of its affiliated agencies or authorities from outside that government. Revenue includes grants from other governments (for example, state funds provided to school districts or Medicare grants from the Federal government), taxes, charges for services that are provided (for example college tuition or charges for medical care whether it comes from the patient, private insurance, or another government), and fees. All expenditures by the individual government are included. Thus, state funding for K-12 education is an expenditure of the state government. This is counted as revenue by the local government, and when it is spent is counted as an expenditure of the local government. The transfers are netted out when local and state government revenues and expenditures are combined. Revenue and expenditures for utilities, such as water-sewer systems, state operated liquor stores, and insurance trust funds are reported separately.

To make the data comparable across time and governments, the Census Bureau has adopted a classification manual. Generally, the categories of revenue and expenditures have obvious interpretations. But in some cases, certain revenues and expenditures are classified in a way that might not correspond to how a particular government might classify them. For example, Medicare is a Federal grant program, but the Census classifies the revenue received by a hospital as current charges paid for services provided. A copy of the Census Bureau's manual that describes in detail its procedures and classification system can be found at http://ftp2.census.gov/govs/class06/2006_classification_manual.pdf.

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Obviously, trying to merge the data for over 80,000 governments is a monumental task. Governments have different fiscal years and accounting systems. Comparisons for specific classifications may be distorted because some governments may organize a service or consider a tax in a unique way. For example, a one percent local sales tax would be classified as local revenue even if the state collects the revenue. But if the state has a grant program in which it allocates revenue from a penny sales tax to local governments based on the local government's share of sales tax base, the sales tax would be considered state tax revenue and an intergovernmental grant to the local governments. Compromises have to be made to create one data set, thus the Census Bureau's procedures are likely to result in different values for revenue and expenditures than what might be found in a government's budget. Despite these limitations, it is the best attempt to produce government finance data that is generally comparable across governments and over time.

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About the Author

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